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Saigon Aide Said to Get Kickback

Of $896,000 From U.S. Concerns

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WASHINGTON, Aug. 1 — A Senate investigating committee was told today that a South Vietnamese importer who recently resigned from the Saigon Cabinet had received illegal kickbacks of $896,258 from United States drug concerns, which deposited most of the money to his account in Swiss banks.

The importer, La Thanh Nghe, was identified by officials of the Agency for International Development as the largest single importer of pharmaceuticals in Vietnam and as Premier Nguyen Cao Ky's Minister of Handicrafts and Industry from last January until July 2, when he resigned to become a candidate for the Senate.

Testimony by agency officials and drug specialists employed by the agency for expert studies brought out the following additional disclosures:

Under the agency-financed commercial-import program, licenses were issued by the South Vietnamese Government for importation of more than 55,000 pounds of antibiotics — enough for the combined 101-million population of the Philippines, Thailand, Taiwan, Malaysia, Singapore, Hong Kong and New Zealand—all of it intended for South Vietnam's 16 million.

There is a "strong possibility" that much of the excess was diverted to Communist China and North Vietnam as well as the Vietcong. But there is no evidence of this.

The aid agency, despairing of its ability to police pharmaceuticals supplied under the commercial-import program, cut off all financing of drug supplies effective July 15.

The disclosures were made

Government operations.

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to the Senate's Permanent Subcommittee On Investigations. The evidence included a letter written in August, 1962, by the Economics Ministry in Saigon to the Lederle Laboratories Division of the American Cyanamid Company.

The ministry threatened to strike Lederle from its list of suppliers unless Lederle repaid to the United States agency $196,000 it paid to Mr. Nghe in illegal commissions as Lederle's sole distributor in South Vietnam.

The letter raised no objection to the "customary" payment of 10 to 15 per cent of invoice values to distributing agents for "promotional activities." But the ministry drew the line at the inclusion of such dollar payments on the invoice, a practice that reduced the quantity of imported drugs and raised the prices charged to consumers in South Vietnam.

The minister, Hoang Khac Thanh, added:

"Needless to demonstrate, in lending itself to such arrangements with Mr. La Thanh Nghe, your company has helped undermine the economy and the finances of Vietnam and, as a consequence, lent the Communists a hand."

The $196,000 mentioned in the Minister's letter was part of the $263,383 recovered by the agency from Cyanamid.

The figures represented illegal fees paid to Mr. Nghe directly or through companies in which controlling interests were held by him of members of his family, including his wife, a brother and a sister-in-law.

The aid agency has recovered $763,152 of the $896,258 of the illegal fees it unwittingly financed as part of the commercial-import program for Vietnam. Claims have been certified against four United States suppliers for the remaining $133,106, and agency officials say they have every reason to expect recovery of the amount.

Testimony by Daniel Cohen, chief of the Industrial Raw Material Section of the agency controller's office, disclosed that $117,000 more had recently been discovered in "undisclosed side payments" by Merck, Sharp & Dohme, another United States supplier, to a South Vietnamese importer during 1961-64.

These payments were discovered only in the last few weeks, Mr. Cohen said. The agency's commodity analysts have been working with Senate investigators, and Mr. Cohen said a claim against the concern would be made soon.

Merck payments were brought to light only through the use of the investigating committee's subpoena powers, Mr. Cohen said. Te added that these funds brought to $1,013,-000 the total of "undisclosed commissions" paid to South Vietnamese importers or their agents in connection with agency-financed shipments since 1960.

In addition to Lederle and Merck, the United States drug concerns who repaid the $763,-000 included the Chas. Pfizer Corporation, Olin Mathieson, Schering, Parke, Davis; Upjohn, American Chemical and Drug, R. P. Schere and Don Baxter, Inc.

William O. Hall, assistant administrator of the aid agency, told the committee that the agency was delving into thousands of transactions under the commercial-import program with a view to possible recoveries.

He said that recent tightening of controls here and in Saigon would make it possible to supervise future shipments with fewer auditors but that the agency was retaining its staff for retroactive auditing.

Mr. Cohen told the panel that he understood that Mr. Nghe had been barred from the drug-import business by the South Vietnamese Government and had been forced to repatriate some of the money deposited to his account in Swiss banks.

William F. X. Band, until recently head of the agency's economic-warfare committee in Saigon, told the Senate group about an interview he had with Mr. Nghe in August, 1963, after the Saigon Government had revoked Mr. Nghe's import privileges and had fined him more than $1-million.